NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

Activity Plan
2008-2010

BOARD OF TRUSTEES
NEWFOUNDLAND AND LABRADOR CONSOLIDATED SINKING FUNDS

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION SINKING FUND

DEBT MANAGEMENT DIVISION
DEPARTMENT OF FINANCE
CONFEDERATION BUILDING
P.O. BOX 8700
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June 26, 2008

Message from the Board

I am pleased to present the Activity Plan for the Newfoundland and Labrador Government Sinking Fund for the fiscal years ending March 31, 2009 to 2011.

The Newfoundland and Labrador Government Sinking Fund administers the sinking funds established by the Province of Newfoundland and Labrador for the repayment of the Province's debenture debt. The effective investment and control of these funds is consistent with the Department's responsibilities with respect to stewardship of public money and management of the funded debt and supports the Department's strategic direction and commitment of sound financial management.

This plan provides an overview of the Newfoundland and Labrador Government Sinking Fund and identifies key issues for the Board of Trustees during the fiscal periods covered in the Plan.

The Board of Trustees is accountable for the preparation of this Plan and for the achievement of its objectives.

Terry Paddon
Chairman

1.0 Overview

The Newfoundland and Labrador Government Sinking Fund was created pursuant to the *Financial Administration Act* to consolidate and administer sinking funds established for the repayment of the Province's debenture debt. The Province has established sinking funds for all of its long term debenture issues and the annual contributions to these sinking funds are invested under the direction of the Board of Trustees of the Newfoundland and Labrador Consolidated Sinking Funds. The Board is appointed by the Lieutenant Governor in Council to manage and control the day to day operation of the sinking funds. The Board of Trustees consists of the incumbents in five senior public service positions with the Department of Finance as follows:

Terry Paddon	Deputy Minister
Donna Brewer	Assistant Deputy Minister Financial Planning and Benefits
Ronald Williams	Comptroller General
Earl Saunders	Director, Debt Management
Linda Howell	Manager of Debt Servicing & Financial Risk

The Newfoundland and Labrador Government Sinking Fund operates with a March 31 fiscal year end and the results of its activities are fully consolidated in the Province's annual financial statements.

2.0 Mandate

The mandate of the Board of Trustees is to manage and control the operational activities of the Newfoundland and Labrador Government Sinking Fund and the sinking funds of certain Crown corporations where the Province has guaranteed the related debt (i.e. Newfoundland and Labrador Municipal Financing Corporation and the Eastern

Regional Integrated Health Authority). These activities include setting investment policy, investment of funds and the monitoring of such. These funds are invested in accordance with the *Financial Administration Act,* primarily in bonds, debentures or other securities issued or guaranteed by the Government of Canada, the government of a province of Canada, or a chartered bank, with the goal of earning the maximum return from investment of the portfolio while ensuring security of the funds.

3.0 Sources of Funding

For debenture issues which have sinking fund requirements, the Province makes the required sinking fund contributions to the Board of Trustees. In each of the years 2008-09, 2009-10 and 2010-11, these contributions will amount to approximately $51 million annually, based upon debt outstanding at March 31, 2008. Sinking fund contributions are invested and the interest earnings, less an amount to cover administrative costs, are re-invested.

The Newfoundland and Labrador Government Sinking Fund's day-to-day activities are managed by employees of the Department of Finance and the Sinking Fund is invoiced quarterly by the Province for reimbursement of these expenses on a cost-recovery basis.

4.0 Issue

The Newfoundland and Labrador Government Sinking Fund supports the Department of Finance in its responsibilities related to stewardship of public money and fiscal management by the investing of funds in accordance with parameters set out in the *Financial Administration Act* and the Department's mandate and mission statement. A review of the investment strategy of the fund was begun in 2007-08 and will be completed in 2008-09. Once completed, documentation of sinking fund investment policies will be updated.

Goal **By March 31, 2011, the Newfoundland and Labrador Government Sinking Fund will have implemented any changes recommended to the investment strategy of the fund resulting from the review of that investment strategy and will have formally documented the investment policies of the fund.**

Objective

1. By March 31, 2009, the Newfoundland and Labrador Government Sinking Fund will have implemented any changes recommended to the investment strategy of the fund resulting from the review of the investment strategy.

   Measure: Report on recommendations of changes to investment strategy of sinking fund.

   Indicator: Recommendations of changes to investment strategy implemented.

2. By March 31, 2010, the Newfoundland and Labrador Government Sinking Fund will have updated the documentation for the investment policy of the sinking fund.

   Measure: Formal documentation of investment policy of sinking fund.

   Indicator: Documentation completed.

3. By March 31, 2011 the Newfoundland and Labrador Government Sinking Fund will have completed an annual review of the investment strategy and policies of the sinking fund.

   Measure: Review of investment strategy and policies.

   Indicator: Review completed.